

Farm Success Enabling Case Studies

“You’ve got to think about providing for the next generation. And so you can’t actually have the view, ‘Oh, when we get the debt paid off we’ll be right’. You’ve actually got to keep pushing hard...”



Mike Stephens (Meridian Agriculture), with assistance from the MLA Donor Company, conducted a series of farm success enabling case studies. The studies are based on intensive review of sixteen, family owned, Australian farm businesses, and consider the approaches to succession throughout successive generations. The case studies followed a major literature review and extensive surveys.

Participants were selected so as to demonstrate a wide variety of business and family circumstances. Of an initial 30 subjects considered, 19 were contacted and sixteen selected. Interviews were conducted with each family, and in some cases their support professionals.

The studies contrast the attitudes, attributes and actions of people within each business. Eight will continue, while the eight have been sold, have remained in the family but are

no longer viable, or have had significant changes in direction. The studies, which cover several generations, are measured against the three aims of having sufficient funds for retirement, handing on a viable farm and providing for the next generation in a way which ensures that they are satisfied with their deal.

Contrasting actions, attitudes and behaviours of continuing with non-continuing businesses:

| Business continuing | Business not continuing |
|---|--|
| An absolute determination to grow the business to allow choices | The belief that the three main aims were not achievable |
| Intelligent leadership | Autocratic, patriarchal behaviour |
| A history of well thought out succession | Poor history of succession |
| Progressive farm management | Doing things the way we always did |
| A focus on the customer | What customer? |
| The intelligent use of capital | Using capital to support the lifestyle |
| Preparedness to go into debt and maintain low equity | Totally debt adverse and maintaining lazy capital in the business |
| Deliberate strategies to encourage stakeholders | A strategy of keeping stakeholders off farm and dis-engaged |
| Managing with humility and quietly going about your business | Maintaining your position in the family and society as somebody very important |
| A determination not to live like peasants | A determination not to look like peasants |
| A common end game goal | No agreement about the end game |

For more information or a copy of the Case Studies, please visit <http://www.meridian-ag.com.au> or contact Meridian Agriculture on 03 5341 6100 or info@meridian-ag.com.au

Key taglines & quotes from the Case Studies (each has a letter of the Greek alphabet):

1. The Iota family were determined that they “weren’t going to live like peasants” and built a dynamic multi-generational family business.
“If people want one or two of their children to farm they have got to start thinking about it early. The mistake that most people on the land make is that they leave it too late to grow.”
2. Being an only child helped Jim (Upsilon family) set up a viable farm that could be passed almost equally to the next gen.
3. The Rho family farm had been split in three successive generations and if the division was even, the farm would be unviable and then sold.
4. The start for the Lambda family was modest, but with share farming, off farm work and investments their business grew to become a successful family business.
“The starting point was that family assets would be divided absolutely equally”.
5. In the case of the Kappa family, “If we hadn’t had a succession plan the farm would have been sold.”
6. After the lean years following the wool crash the Pi family told the Directors to “perform or sell”.
7. The Mu family farm was halved and then halved again and the family “could not allow it to be halved again.”
8. The grandfathers of the Sigma family set up the two brothers, who then proceeded to buy more and more land - “Our fathers bought it, but now we have to pay it off.”
9. The Epsilon family had a strong history of succession done well - “Dad and his brother always had the end game in mind.”
“It [the split] was done in a matter of an hour. I think most of that time was spent working out what the stock numbers were and then a price agreed.”
10. Nick and Sally (Alpha family) inherited a farm that has been successively cut up over five generations
“We were the stewards, it wasn’t ours to sell.”
11. Mark (Gamma family) was given no choice and burdened with the family expectation that he should carry on. Mark broke this mould and “wanted the next generation to be free to choose”.
12. The grandfather (Zeta family), in order to uphold his position in the community, kept selling land to fund their lifestyle.
“I think we could agree that the longer you leave it to plan succession, the lower your potential for success.”
13. The Beta family lost interest and then lost control of the Board – they lost the company.
14. The Theta family wanted to keep farming but it was unrealistic – there were too many shareholders.
15. The Delta family spent twenty years and hundreds of thousands of dollars arguing about whether to break it up
16. The Tau family thought they had succession sorted and then the next gen father changes his mind.

Key messages from the Case Studies:

- There are a number of mechanisms to achieve successful business growth, which in turn can help set up succession for future generations
- It is important that all family members agree on the end game and are happy with the outcomes of succession.
- It is important to keep control of the Board and ensure that Shareholders are engaged
- It is important to work together as a family unit to grow the business and involve the next generations early to ensure smooth succession

